Benefits from CAFTA-DR
Delaware

U.S. Department of Commerce
International Trade Administration
March 2005

Delaware's export shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled $25 million in 2004. Delaware's exports to the CAFTA-DR region accounted for 1.2 percent of the state's total exports to the world in 2004.

Delaware's exports to the CAFTA-DR group grew by $13 million from 2000 to 2004. This represents a five-year gain of 105 percent, the 10th-fastest growth nationally. This gain was roughly seven times greater than the 16 percent rise in total U.S. exports to the region over the period, and is in sharp contrast to Delaware's drop in global exports over the same time period.

Individually, a number of the CAFTA-DR markets are significant trading partners for Delaware. In 2004, Costa Rica alone received merchandise exports from Delaware totaling $19 million and was the state's 15th-largest market.

CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

CAFTA-DR will boost opportunities for Delaware's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

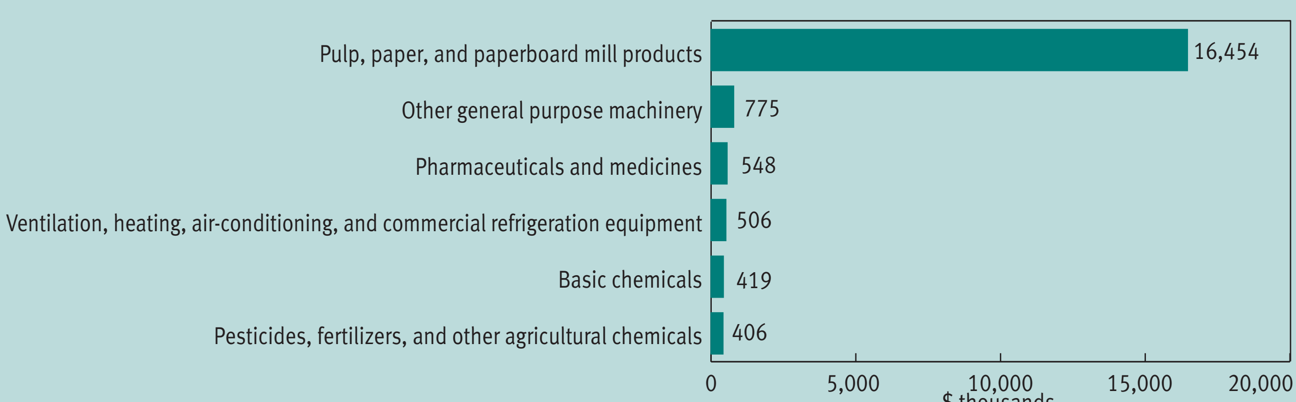
CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant average tariffs.

Continued on reverse

Delaware Exported $23.0 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004

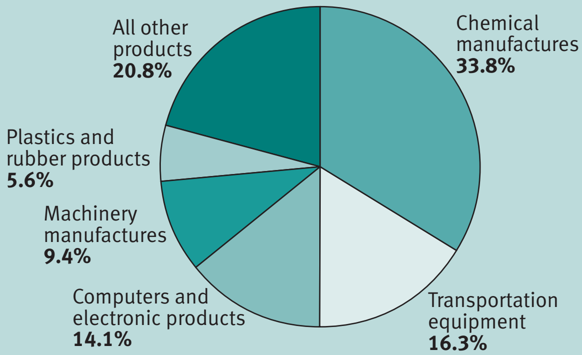
Pulp, Paper, and Paperboard Mill Products Dominate



Source: U.S. Department of Commerce.

Delaware Exported $2.1 Billion in Goods to the World in 2004

Chemicals and Transportation Equipment Account for Half



Source: U.S. Department of Commerce.

CAFTA-DR Opens Markets for Key Delaware Exports

Manufactured goods accounted for 94 percent of Delaware's merchandise exports to the CAFTA-DR region in 2004.

Pulp, paper and paperboard mill products. The state's top manufactured export category to the CAFTA-DR group is pulp, paper, and paperboard mill products. In 2004, Delaware exported pulp, paper, and paperboard mill products to this region valued at $16.5 million, an increase of $15.3 million from 2000. These products alone accounted for 67 percent of Delaware's total exports to the region (including non-manufactures). Overall, 78 percent of U.S. exports of paper products to Central America and the Dominican Republic will receive duty-free treatment immediately upon implementation of the agreement. Tariffs on high value paper products including writing paper, coated paper, paperboard, cartons, and boxes will, in most cases, be phased out immediately or in 5 years.

Machinery manufactures. Delaware exported $775 thousand in general purpose machinery to the CAFTA-DR region in 2004. Overall, 92 percent of U.S. capital goods exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the CAFTA-DR agreement. Tariff elimination will be particularly beneficial to exporters of heating and cooling equipment, where Central American and Dominican Republic tariffs currently range up to 15 percent. In 2004, Delaware exporters shipped ventilation, heating, air conditioning, and commercial refrigeration equipment valued at $506 thousand to the CAFTA-DR marketplace.

Pharmaceuticals and medicines. Delaware's exports of pharmaceuticals and medicines to the CAFTA-DR region totaled $548 thousand in 2004. Under the free trade agreement, tariffs on high-value chemical products such as residual pharmaceuticals and medications will, in most cases, be phased out immediately or in 5 years.

Other manufactures. During 2000–2004, significant percentage increases in Delaware's manufactured exports to the CAFTA-DR group were registered by pesticides, fertilizers and other agricultural chemicals; other nonmetallic mineral products; paints, coatings, and adhesives; and miscellaneous foods. CAFTA-DR should enhance opportunities for exports in these and other sectors.

CAFTA-DR Creates Opportunities for Delaware Agriculture

Despite high tariffs and other barriers on most agricultural products, U.S. exporters shipped more than $1.6 billion in U.S. farm products to the CAFTA-DR region in 2003. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau, support the FTA.

For more information on agricultural exports and the CAFTA-DR agreement, see the state fact sheets posted by the U.S. Department of Agriculture at *http://www.fas.usda.gov/itp/CAFTA/cafta.html*.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.